Q. PLEASE STATE YOUR NAME, ADDRESS, AND EMPLOYMENT.

A. I am Anthony J. Yankel. I am President of Yankel and Associates, Inc. My address is 29814 Lake Road, Bay Village, Ohio, 44140.

Q. WOULD YOU BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE?

A. I received a Bachelor of Science Degree in Electrical Engineering from Carnegie Institute of Technology in 1969 and a Master of Science Degree in Chemical Engineering from the University of Idaho in 1972. From 1969 through 1972, I was employed by the Air Correction Division of Universal Oil Products as a product design engineer. My chief responsibilities were in the areas of design, start-up, and repair of new and existing product lines for coal-fired power plants. From 1973 through 1977, I was employed by the Bureau of Air Quality for the Idaho Department of Health & Welfare, Division of Environment. As Chief Engineer of the Bureau, my responsibilities covered a wide range of investigative functions. From 1978 through June 1979, I was employed as the Director of the Idaho Electrical Consumers Office. In that capacity, I was responsible for all organizational and technical aspects of advocating a variety of positions before various governmental bodies that represented the interests of the consumers in the State of Idaho. From July 1979 through October 1980, I was a partner in the firm of Yankel, Eddy, and Associates. Since that time, I have been in business for myself. I am a registered Professional Engineer in the states of Ohio and Idaho. I have presented testimony before the Federal Energy

Regulatory Commission (FERC), as well as the State Public Utility Commissions of Idaho, Montana, Ohio, Pennsylvania, Utah, and West Virginia.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of the Idaho Irrigation Pumpers Association (IIPA).

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to address Idaho Power's request for recovery of lost revenue associated with the Irrigation Buy-Back Program that was initiated in order to reduce the Company's overall load during the 2001 growing season. I will propose three adjustments that will lower the amount of lost revenues proposed to be collected by the Company in order to insure that any such recovery truly reflects lost revenues and not potential windfalls for Idaho Power.

17. DO YOU SUPPORT THE CONCEPT OF ALLOWING IDAHO POWER TO RECOVER LOST REVENUES ASSOCIATED WITH THE IRRIGATION BUY-BACK PROGRAM THAT WAS INITIATED AS A RESULT OF COMMISSION ORDER NO. 28699?

18. The Company's request in this case for the recovery of lost revenue recovery is generally different than other cases where lost revenues are claimed to be associated with conservation programs. In this case, the reduced energy levels are far more known and

measurable than they are in most other conservation programs. For this reason, I support the recovery of lost revenues in this case.

19. WHAT IS THE MAGNITUDE OF THE LOST REVENUES THAT IDAHO POWER IS CLAIMING?

20. The Company's filing in Case No. IPC-E-01-34 calculates cost recovery from the irrigation buy-back program in three areas. Idaho Power has calculated the cost recovery associated with the net lost revenues related to the irrigation buy-back program as of September of this year as $12.8 million on a total company basis[1].

2. WHAT COMPONENTS MAKE UP NET LOST REVENUE?

C. There are two categories of costs that make up the lost revenue calculation of the irrigation buy-back program. The first category is associated with revenue reductions and consists of two components: revenue reductions associated with energy charges and revenue reductions associated with demand charges. The second cost category is associated with a "load offset" that reverses a portion of the reductions in revenue associated with the program.

21. BEFORE DISCUSSING YOUR ADJUSTMENT TO THE COMPANY'S LOST REVENUE PROPOSAL, DO YOU HAVE ANY MATHEMATICAL CORRECTIONS TO THE COMPANY'S REQUEST?

[1] IPCo witness Tomlinson's Exhibit 3 line 5 lists the Revenue Reductions as $19,835,636 and the Revenue Reduction Load Offset on line 6 as $7,046,583 for a net difference of $12,789,052 on a total company basis.

22. Yes. Exhibit AJY-201 is a copy of a portion of an Idaho Power spreadsheet that was used as the basis for its request. This Exhibit lists energy savings in Idaho by month, the energy rates that were in effect at the time, and the revenue that would have been associated with those energy savings. The Exhibit lists both the energy booked in each month as well as the adjustments to those values that came at a later date.

There are two problems with the Company's calculation, both occurred on line 17. First, the In-Season rate used on line 17 in appropriately had a "1" in front of it so that it was in effect over $1 per kWh instead of 4.1831 cents per kWh. Second, instead of using the resulting dollar amount from line 17 for its summary calculation, the kWh figure of 799,871 was picked up instead. Making these two mathematical corrections results in increasing the IPCo's lost revenue calculation by $766,412 on a total Company basis.

Demand Component of Lost Revenue

23. HOW HAS THE COMPANY DEVELOPED THE DEMAND COMPONENT OF ITS LOST REVENUE CALCULATION?

24. The Company calculated the lost revenue associated with the demand component of the irrigation rate by multiplying the demand charge of $3.58 per kW by the difference between the 2000 billed kW and the 2001 billed kW for each metered service point included in the irrigation buy-back program.

25. IS THIS AN APPROPRIATE WAY OF ESTABLISHING THE DEMAND COMPONENT TO BE INCLUDED IN THE LOST REVENUE CALCULATION?

26. No. There is a mismatch between the manner in which the Company calculated the energy levels that would be eligible for the buy-back program and the manner in which it is calculating the demand component associated with this program. The energy component was established by the Company taking a 5-year average of the energy usage for each of these irrigators. Now, the Company is proposing to only use the most recent year's data (2000) as an establishment of the demand component to be utilized in its calculation of lost revenue. Use of only 2000 demand data, as opposed to the average of the past five years, will inappropriately result in additional lost revenue being given to Idaho Power.

27. WHY IS IT INAPPROPRIATE TO USE ONLY 2000 DEMAND DATA FOR CALCULATING LOST REVENUE?

28. By only using 2000 demand data, Idaho Power assures itself of far more lost revenues associated with the demand component than it would have received if it had used a 5-year average as it had insisted upon for the calculation of the energy component when the program was established. This can be demonstrated in the following table which lists the amount of total irrigation consumption for each of the last five years:

	MWH x 1,000
1996	1,683
1997	1,581
1998	1,465
1999	1,706
2000	1,990

Average 1,685

Assuming that energy and demand components of irrigation usage are relatively proportional, it can be calculated that the irrigation demand in the year 2000 was 18% higher (1,990 / 1,685 = 1.18) than the average of the past five years. Using only the demand from the year 2000 for calculating the demand component of lost revenue would thus result in approximately an extra 18% being collected for this portion of the lost revenue. As can be seen from Exhibit AJY-202, the Company is presently claiming a loss of $3,277,128 associated with demand charges. If this figure was brought down to a 5-year average demand level it would be $2,774,855 ($3,277,128 x 1,685 / 1,990 = $2,774,855) which translates into a reduction in the Company's request for lost revenue of $502,273.

Energy Component of Lost Revenue

29. IS THE COMPANY'S CALCULATION OF LOST REVENUE ASSOCIATED WITH THE ENERGY COMPONENT OF THE IRRIGATION RATE APPROPRIATE?

30. No. The irrigation rate proposed to be used by the Company is the full energy rate that an irrigation customer would face had he been taking service and not participated in the buy-back program. This consists of three sub-components. For the summer months these sub-components and the associated prices are as follows:

	Cents/kWh
Basic Tariff Rate	2.8416
PCA Forecast Rate	0.3861

True-up Rate	0.9554
Total	4.1831

Of these three sub-components, only the Basic Tariff Rate is appropriate for inclusion in the lost revenue calculation. The Basic Tariff Rate includes coverage for many of the fixed costs that the Company faces. The establishment of the irrigation buy-back program does not reduce these fixed costs and thus, the revenue collected under the Basic Tariff Rate should be maintained.

31. WHY IS IT INAPPROPRIATE TO COLLECT THE PCA FORECAST RATE AS A COMPONENT OF LOST REVENUE?

32. There are three ways of looking at the PCA Forecast Rate—each way dictates that this amount should not be considered as a component of lost revenue. First, the PCA Forecast Rate is reflective of "anticipated" power supply costs[2]. The PCA Forecast Rate is equal to 90% of the difference between the projected power cost and the base power costs that were established in the last general rate case[3]. The PCA Forecast Rate was calculated assuming that normalized loads (including normalized irrigation load) would need to be supplied.

However, this case is not about setting a PCA rate, but is concerned with the establishment of lost revenues. The fact is that the irrigation buy-back program has reduced the irrigation load and thus, the associated power costs will not be incurred. If these higher costs are not going to be incurred because of the irrigation buy-back program, then it is inappropriate to

[2] As determined in the May 1, 2001 PCA Order, power costs are anticipated to be higher than those originally calculated in the last rate case.

[3] These costs are based upon a normalized 1993 load that has been adjusted to reflect 1998 changes in the FMC contract.

assign the PCA Forecast Rate to cover this usage that will not occur. Thus, the PCA Forecast Rate should not be treated as a contributing component to lost revenue.

33. WHAT IS THE SECOND WAY OF LOOKING THE PCA FORECAST RATE THAT DEMONSTRATES THAT IT IS INAPPROPRIATE FOR INCLUSION AS A COMPONENT OF LOST REVENUE?

34. The second reason why the inclusion of the PCA Forecast Rate into a lost revenue calculation is inappropriate is because these additional funds would go to the Company's bottom line and not as an off-set to the Company's PCA costs.

The PCA worksheet that has been in existence (with minor changes) since the PCA mechanism was established, is used to define the True-up required in succeeding years by off-setting the previous year's PCA revenues and expenses. Whether right or wrong, the historical PCA revenues have been simply defined as normalized load times the PCA Forecast Rate that was in place. Under this definition, there is no opportunity to include any actual impact of the lost revenue calculation made in this case. To give the Company lost revenues associated with the PCA Forecast Rate in this case would result in additional revenues that would simply go to the Company's bottom line as there is no mechanism to address this increased revenue as a PCA cost off-set in the next PCA case.

35. **WHAT IS THE THIRD WAY OF LOOKING THE PCA FORECAST RATE THAT DEMONSTRATES THAT IT IS INAPPROPRIATE FOR INCLUSION AS A COMPONENT OF LOST REVENUE?**

A. The third reason why the inclusion of the PCA Forecast Rate into a lost revenue calculation is inappropriate is because the historic calculation of PCA revenues does not fully reflect the PCA Forecast Rate revenues that have already been collected. Company workpapers reflect the fact that during the irrigation season a substantial amount of load was actually served above the "normalized load" used to calculate the PCA Forecast Rate. Thus, in spite of the significant reductions of load by the irrigation buy-back program, the Company is still going to collect far more PCA Forecast Rate revenue during the irrigation season than what can be anticipated to be recorded under "normalized loads". Any additional PCA Forecast Rate revenue will just be a further windfall for the Company.

36. WHAT IS THE IMPACT OF REMOVING THE PCA FORECAST RATE FROM THE COMPANY'S REQUEST FOR LOST REVENUE TREATMENT ASSOCIATED WITH THE IRRIGATION BUY-BACK PROGRAM?

37. Thus far, it is estimated that there were 407,900 MWH associated with the irrigation buy-back program in the Idaho Jurisdiction through September 2001. As seen on Exhibit AJY-203, this translates $1,497,590 of PCA Forecast Rate revenue. The Company's request for lost revenue should be reduced by this amount.

38. IS IT APPROPRIATE TO INCLUDE THE PCA TRUE-UP RATE AS A PORTION OF THE COMPANY'S LOST REVENUE ASSOCIATED WITH THE IRRIGATION BUY-BACK PROGRAM?

39. No. The inappropriateness of associating lost revenue with the PCA True-up rate can also be viewed from three different perspectives. First, the PCA True-up rate is calculated on the basis of the difference between the forecasted costs and the actual costs for the previous year, divided by a fixed energy amount. The PCA True-up rate is simply a rate at which funds will be collected (or reduced), and without guaranteeing any total outcome. There is no true-up of the True-up nor is there any attempt to increase or decrease the True-up rate during mid-year in order to adjust for higher or lower collections than originally calculated. As such, there is no lost revenue associated with the lack of collecting the PCA Forecast Rate from irrigators in the buy-back program, because there was never a guarantee that this money would ever be there. The Commission's May 1, 2001 Order in the most recent PCA case exemplifies this point:

> The Commission finds it appropriate to adopt the Staff and Company proposal to use normalized 1999 kWh for 12 and one-half months (13,253,976 MWh) to calculate this year's true-up PCA rate. If the Company sells this amount of electricity, as it expects to, the Company will recover all of its true-up costs.[4]

Q. WHAT IS THE SECOND WAY OF LOOKING AT THE PCA TRUE-UP RATE THAT DEMONSTRATES THAT IT IS INAPPROPRIATE FOR INCLUSION AS A COMPONENT OF LOST REVENUE?

40. The second reason why the inclusion of the PCA True-up Rate into a lost revenue calculation is inappropriate is to once again recognize that these additional funds would go to the Company's bottom line and not as an off-set to the Company's PCA costs. Whether right or wrong, historically the PCA True-up Rates have been simply defined as the balance in the PCA account from the previous year, divided by a normalized load. Under this definition, there is no opportunity

to include the actual impact of the reduced revenue associated with the reduction from the irrigation buy-back program as there is no room to include additional revenues from increased sales. A separate calculation is being proposed in this case that ignores the way increases and decreases in loads are handled in the PCA and would merely represent a separate mechanism to address only one aspect of usage change in order to add to the Company's bottom line.

Q. WHAT IS THE THIRD WAY OF LOOKING THE PCA TRUE-UP RATE THAT DEMONSTRATES THAT IT IS INAPPROPRIATE FOR INCLUSION AS A COMPONENT OF LOST REVENUE?

A. As pointed out above, the simple calculation proposed in this case by the Company to include the PCA True-up revenues associated with the irrigation buy-back program does not address the total PCA True-up Rate revenues that have already been collected. Company documents reflect the fact that during the irrigation season there already exists a substantial amount of load that was actually served above the normalized 1999 load that was used to originally derive the level of the PCA True-up Rate. Thus, in spite of the significant reductions of load by the irrigation buy-back program, the Company is still going to collect far more PCA True-up revenue during the irrigation season than is needed to balance out last year's costs. Any additional PCA True-up Rate revenue will just be a further windfall for the Company. Adding yet additional PCA True-up Rate revenue as a part of a lost revenue calculation will further exacerbate this situation.

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[4] Page 8 of Commission Order No. 28722.

41. WHAT IS THE IMPACT OF REMOVING THE PCA TRUE-UP RATE FROM THE COMPANY'S REQUEST FOR LOST REVENUE TREATMENT ASSOCIATED WITH THE IRRIGATION BUY-BACK PROGRAM?

A. Thus far, it is estimated that there were 407,900 MWH associated with the irrigation buy-back program in the Idaho Jurisdiction through September 2001. As seen on Exhibit AJY-204, this translates into $3,515,624 of PCA True-up Rate revenue. The Company's request for lost revenue should be reduced by this amount.

Load Off-Set Component

42. DO YOU AGREE WITH THE COMPANY'S TREATMENT OF THE LOAD OFF-SET CALCULATION AS IT RELATES TO THE CALCULATION OF LOST REVENUES ASSOCIATED WITH THE IRRIGATION BUY-BACK PROGRAM?

A. Yes. I generally agree with the calculation of the Load Off-set revenues as presented by Company witness Brilz. I further agree with the inclusion of losses into the Load Off-set calculation as outlined in the testimony of Company witness Brilz. I assume this will be carried out as she has indicated when the Company processes the remainder of the irrigation buy-back data at a later time.

Summary

43. PLEASE SUMMARIZE THE ADJUSTMENTS YOU HAVE PROPOSED TO THE COMPANY'S REQUEST FOR LOST REVENUES ASSOCIATED WITH THE IRRIGATION BUY-BACK PROGRAM.

A. I have proposed three adjustments to the Company's request for lost revenues associated with the irrigation buy-back program. These adjustments are necessary to insure that the Company recovers only its lost revenues, while insuring that it does not realize a windfall associated with the program. I have also proposed an adjustment to reflect the error I found in the Company's calculations. A listing of my proposed adjustments to the Company's lost revenue calculation on a total Company basis is as follow:

Error correction	$ 766,412
Less PCA forecast	1,497,590
Less PCA true-up	3,515,624
Less Demand component	502,273
	$4,749,075

The following allocations are needed in order to place this overall adjustment on an Idaho jurisdictional basis and in order to reflect the ratepayers' portion of these costs:

Total adjustment	$4,749,075
Ratepayer's share	x .90
	$4,274,168
Idaho share	x .85
	$3,633,042

20. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.